



# Department of Justice

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## **HOGSETT ANNOUNCES CHARGES AGAINST BUSINESSMAN, STATE EMPLOYEE IN FAR-REACHING CONSPIRACY**

*U.S. Attorney says alleged misuse of mechanic's lien affected hundreds of vehicles in city*

### **PRESS RELEASE**

INDIANAPOLIS – Joseph H. Hogsett, the United States Attorney, announced today the charging of three Indianapolis individuals who are alleged to have operated a sophisticated and far-reaching criminal conspiracy to abuse the Indiana Mechanic's Lien statute. Through these criminal acts, it is alleged that hundreds of vehicles were illegally issued clean titles, wrongly discharging significant debts for child support, bank loans, and unpaid tax bills.

"Our office believes these individuals were responsible for operating their own personal BMV on the streets of Indianapolis," Hogsett said. "The allegations involve hundreds of vehicles, hundreds of thousands of dollars in debt, and the victimization of Hoosier children, Hoosier taxpayers, and financial institutions across the state."

Documents filed in federal court name Joseph C. Woodruff, age 57, of Indianapolis, as the owner and operator of Mechanic's Liens Plus, Inc., a corporation based in Indianapolis. Nisha Woodruff, age 28, also of Indianapolis, is alleged to have been an employee and agent of the company. They are alleged to have operated their scheme with the assistance of Lee Ann Rinehart, age 56, of Indianapolis, who is an employee of the Indiana Bureau of Motor Vehicles (BMV).

This case was the result of a collaborative investigation by the United States Secret Service, the Bureau of Alcohol, Tobacco, Firearms and Explosives, and the Indiana State Police, with significant assistance from the Indiana Bureau of Motor Vehicles.

"I am proud of the collaboration demonstrated between my office and our law enforcement partners to make this investigation so successful," said Roger Goodes, Special Agent in Charge, U.S. Secret Service.

### **Case Background**

Indiana's mechanic's lien statute allows a service provider who is not paid to assert the highest priority lien on the vehicle at issue, and is meant to ensure some means of satisfying unpaid charges regardless of other liens on the vehicle. If an owner doesn't claim the vehicle or pay off the unpaid charges within 30 days, the service provider is permitted to hold an auction to sell the vehicle.

Prior to selling the vehicle, the service provider is required to advertise the proposed sale, and send notice to the owner of the vehicle and other recorded lien-holders. Those other lien-holders can then preempt the pending sale by paying the unpaid mechanic's charges, and take possession of the vehicle themselves. If this does not occur, the auction takes place, at which time the mechanic is permitted to purchase the vehicle himself if he so chooses.

Following a mechanic's lien auction sale, the buyer of the vehicle must provide information about the vehicle to the BMV, including a Vehicle Identification Number (VIN) inspection form completed by a law enforcement officer. If the BMV determines the documents are valid, they will issue the purchaser of the new vehicle a clean motor vehicle title, free from any pre-existing liens.

### **Alleged Criminal Conspiracy**

The court documents allege that from January 2008 until January 2012, Joseph and Nisha Woodruff used Mechanic's Lien Plus to fraudulently divest lawful lien holders of their interests in vehicles, obtaining unencumbered titles to those vehicles. They also are alleged to have taken payment from lawful lien holders for fraudulently filed mechanic's liens, when in fact they never provided services to the vehicle.

The most common scenario alleged in the court documents involves an individual whose vehicle has had liens placed on it by other creditors. They would allegedly pay a fee to Mechanic's Liens Plus, who would file false billing statements for work on the vehicle that was never done. They would then file a mechanic's lien based on these fraudulent billing statements, notifying the other creditors that they planned to sell the vehicle at auction.

In some cases, the creditors would allegedly pay Mechanic's Liens Plus for the fraudulent work, in which case the Woodruffs and the vehicle owner would split that payment between them. In other cases, the creditor would voluntarily relinquish claims to the vehicle, in which case Mechanic's Liens Plus would simply "purchase" the vehicle themselves, providing fraudulent information to the BMV so as to receive new, clean title to the vehicle. Once done, Mechanic's Liens Plus would then "sell" the vehicle back to the original owner, often at a price of \$100 so as to avoid paying any significant sales tax.

Throughout this process, the court documents allege that Lee Ann Rinehart, an employee of the BMV, would assist Joseph Woodruff through her access to non-public, secure databases containing information about motor vehicle ownership and liens. This information was used by

Woodruff to fraudulently file mechanic's liens, as well as provide the BMV with sufficient information so as to receive a clean title after the purported auction sale of the vehicle.

Due to the status of the mechanic's lien under Indiana law, this alleged scheme allowed individuals to discharge all manner of personal debts. The court documents allege the process was used to defraud the Indiana Child Support Bureau, the Indiana Department of Revenue (unpaid tax bills), as well as financial institutions who had issued bank loans. In addition, the court documents allege the process was used in some instances to obtain clean title for vehicles that had been stolen.

### **Charged Offenses and Possible Penalties**

According to Assistant U.S. Attorney Zachary A. Myers, who is prosecuting the case for the government, both Joseph and Nisha Woodruff face one count of mail fraud conspiracy, which carries with it up to 20 years in federal prison, as well as significant fines. Joseph Woodruff and Lee Ann Rinehart also face a count of intentionally accessing a protected computer, which carries with it a maximum penalty of five years in federal prison, as well as significant fines. An initial appearance for all three defendants is scheduled for December 18 in Indianapolis, at 1:30pm.

An Information is only a charge and is not evidence of guilt. All defendants are presumed innocent and are entitled to a fair trial at which the government must prove guilt beyond a reasonable doubt.

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